



FACT SHEET

U.S.-Peru Trade Promotion Agreement Michigan Farmers Will Benefit

September 2007

The U.S.-Peru Trade Promotion Agreement (PTPA) provides increased market access to Michigan's agricultural exports by making agricultural trade a two-way street and leveling the playing field with respect to third country competitors in the Peruvian market. With immediate elimination of duties on nearly 90 percent of current U.S. trade to Peru, the PTPA will provide Michigan producers and exporters the opportunity not only to preserve but to increase market share in Peru. The American Farm Bureau and over 40 other agricultural industry and farm groups strongly support the agreement stating that the agreement would benefit all U.S. agricultural sectors and allow the United States to become a competitive supplier of agricultural products to Peru.

Exports of farm products boost Michigan's farm prices and income. Such exports support about 13,800 jobs both on and off the farm in food processing, storage, and transportation. Agricultural exports amounted to \$1.1 billion and made an important contribution to Michigan's farm cash receipts in 2006 that totaled \$4.5 billion.

Dairy. As the leading source of farm cash receipts, Michigan's dairy producers benefit from the PTPA.

- Under the PTPA, Peru will immediately eliminate its system of variable levies (price bands) facing U.S. exporters. Under the system, tariffs can be as high as the World Trade Organization (WTO) ceiling of 68 percent on some dairy products.
- Peru will immediately eliminate tariffs on whey.
- Both Peru and the United States will establish duty-free tariff-rate quotas (TRQs) for certain dairy products totaling 10,000 tons.
- TRQs will grow by ten percent compounded annually, with certain dairy products subject to safeguards during the tariff phase-out period.
- All Peruvian duties on dairy products will be eliminated within 17 years, with duties on some dairy products eliminated earlier.
- *The National Milk Producers Federation, the U.S. Dairy Export Council, the Grocery Manufacturers of America, the International Dairy Foods Association, and the Food Products Association publicly support the PTPA.*

Soybeans and Products. As the state's largest agricultural export with cash receipts of over \$453 million, Michigan's soybean producers benefit from the PTPA.

- Peru will immediately eliminate duties, currently ranging from four to twelve percent (30 percent allowed by the WTO) on soybeans, soybean meal, and crude soybean oil.
- Peru will provide duty-free access for refined soybean oil by establishing a 7,000-ton, duty-free TRQ that will grow five percent compounded annually. Peru will phase out the over-quota tariff over ten years.
- *The American Soybean Association, the National Oilseed Processors Association, the American Feed Industry Association, and the Pet Food Institute publicly support the PTPA.*

Corn. Providing the third largest source of state farm cash receipts and second largest export of feed grains, Michigan's corn and feed grains producers benefit from the PTPA.

- Under the PTPA, Peru will immediately eliminate its system of variable levies (price bands) facing U.S. exporters. Under the system, tariffs can be as high as the WTO ceiling of 68 percent on some corn products.
- Peru will provide immediate duty-free access by establishing a 500,000-ton TRQ that grows six percent compounded annually. Peru will phase out the over-quota tariff over 12 years.
- All currently applied duties on crude corn oil will be phased out over three years; on high fructose corn syrup over five years; and on white corn and other corn products within ten years.
- *The Corn Refiners Association, the National Corn Growers Association, the National Grain and Feed Association, the National Grains Trade Council, the North American Export Grain Association, the North American Millers' Association, the American Feed Industry Association, and the Pet Food Institute publicly support the PTPA.*

Vegetables. As the nation's eighth largest agricultural exporter with farm exports of over \$114 million, Michigan vegetable producers benefit from the PTPA.

- U.S. exporters currently face duties of 12 percent or 25 percent, depending on the product, and the WTO permits duties as high as 30 percent.
- With over \$54 million in farm cash receipts for dried beans and lentils, Michigan producers benefit from immediate duty-free access for peas and lentils. For dried beans, the duties on kidney beans, white pea beans, and small red beans will be immediately eliminated, while the tariffs on other beans will be phased out through annual linear cuts over 5 years.
- With over \$87 million in farm cash receipts, Michigan's potato producers benefit from immediate elimination of all duties on potatoes and potato products, including frozen french fries, potato flakes and potato chips.
- Under the Andean Trade Promotion and Drug Eradication Act, Peru currently receives duty-free treatment on its fresh and processed asparagus exports into the United States. The PTPA will continue the same duty-free treatment.

- *The National Potato Council, the United States Dry Bean Council, the American Frozen Food Institute, the Grocery Manufacturers of America, and the Food Products Association publicly support the PTPA.*

Beef. As the state's seventh largest agricultural export and providing over \$294 million in farm cash receipts, Michigan's ranchers and beef industry benefit from the PTPA.

- Peru will immediately eliminate the 25-percent duties (30-percent allowed by the WTO) on the beef products of most importance to the U.S. beef industry – Prime and Choice cuts.
- U.S. exporters of variety meats (offals) will immediately receive duty-free access under a 10,000-ton TRQ that will grow six percent compounded annually. The 12-percent over-quota tariff will be phased out over ten years.
- Peru will provide immediate duty-free access for U.S. exports of standard quality beef through the establishment of an 800-ton TRQ that will grow six percent compounded annually. The 25-percent over-quota tariff will be phased out over 11 years.
- The United States will phase out its beef tariffs over 15 years except for those tariffs that are already duty-free under the Andean Trade Promotion and Drug Eradication Act (ATPDEA). The PTPA will continue the duty-free treatment.
- Peru agreed to continue to recognize the equivalence of the U.S. meat inspection and certification system to its own system.
- *The American Meat Institute, the National Cattlemen's Beef Association, the National Renderers Association, the U.S. Meat Export Federation, the US Hides, Skin and Leather Association, U.S. Livestock Genetics Export, Inc., and the Pet Food Institute publicly support the PTPA.*

Fruits. As the nation's fifth largest exporter, Michigan's fruit producers and processors benefit from the PTPA.

- Peru's current duties on fruit are 25 percent, and under WTO rules, Peru could raise these duties to as high as 30 percent.
- With farm cash receipts totaling nearly \$161 million, Michigan apple and cherry producers benefit from immediate duty elimination by Peru.
- With farm cash receipts over \$97 million, Michigan blueberry producers benefit from immediate duty elimination on fresh and frozen blueberries by Peru.
- *The U.S. Apple Association, and the Grocery Manufacturers Association publicly support the PTPA.*